City of Lafayette Staff Report

Date:	**May 27, 2008**
For:	**City Council**
By:	Steven Falk, City Manager Tracy Robinson, Administrative Services Director
Subject:	2008/09 Proposed Municipal Budget and Workplan

Introduction

For the fiscal year 2008-2009, the Lafayette City Council has established the following goals:

FINANCE & ADMINISTRATION

- Identify the City's priorities and develop a log term strategy to fund them.
- Investigate the efficacy of a business license tax.
- Develop a plan for the utilization of the old Lafayette Library. Perform analysis to determine costs v. benefits of moving city offices to old library.
- Provide funding for and begin implementation of the City's environmental strategy.

PARKS & RECREATION

- Complete Lafayette Parks Master Plan
- Evaluate Community Center maintenance issues and funding; consider sustainable development practices.

PLANNING & COMMUNITY DEVELOPMENT

- Pursue affordable housing programs. Work cooperatively with Eden Housing to develop affordable senior housing.
- Complete the approved 2008 Planning Department work plan.
- Complete the Downtown Strategy and develop an implementation plan for its findings, including acquisition of public parking
- Complete the construction of the Lafayette Library & Learning Center.
- Develop a green building program.

ENGINEERING

- Develop a plan to boost spending on 2008/09 road reconstruction programs.
- Develop options for increasing staff capacity to complete more road reconstruction projects.

SUMMARY

The FY2008/09 General Fund proposed expenditure budget, including transfers, is $13.9M. This represents an increase of $2.2M from the FY2007-08 budget of $11.7. The main reasons for this increase are:

- Increase in transfers from the General Fund to pay for an enhanced Pavement Management Program ($+1.75M)
  -- $753K from reserves set aside from prior years
  -- $1 million from surplus over the target reserve in 2007-08 budget
- Increased Police Services Expenses (+$443K), which includes a loss of the $100K state COPS grant
- Merit based salary increases (+$100K) for employees

The 2008/09 General Fund budget also anticipates revenue decreases totaling $265K, most of which can be attributed to the overall slowing of the economy:

- Investment Earnings (-$188K) – Average earnings on the City's portfolio have declined steadily as interest rates have dropped. Our financial advisers do not anticipate that rates will increase significantly over the next year.
- Sales Tax (-$172K) – While the economy has slowed, so has our sales tax revenue. The latest sales tax forecast summary anticipates that the most likely scenario for sales tax revenue in 2008-09 is $2.6M. This represents a decrease of 6% over last year's budget.
- Planning Fees (-$50K) – A slow down in applications will be mitigated somewhat by a 15% increase in rates.
- Property Tax ($-44K) – While property tax increases been strong over the last several years, the current housing crunch has affected Lafayette, albeit to a lesser extent than many communities. We are thus budgeting only a modest 1% increase in the property tax collected. The overall decrease in property tax is due to lower revenues for Real Estate Transfer tax.

These declines are partially offset by an increase in the Motor Vehicle in Lieu Fees (which were $179K more than anticipated in 2007-08 but are expected to remain flat this fiscal year.)

HIGHLIGHTS OF PERSONNEL CHANGES

There are three personnel changes proposed and included in the budget:

- Planning Technician upgraded to Assistant Planner - ($4,000)
  While the number of planning applications has dropped over the last year, the complexity of the applications has not changed. Upgrading this position to Assistant Planner will better allow the planning staff to continue tackling the long list of complex projects on the workplan.

- Senior Services Coordinator reclassified as regular part-time employee with benefits - ($12,373)
  This position is already as a regular part-time position (30 hours), but for the last several years, the position has been filled by two temporary non-benefited employees, each working approximately 15 hours. With the departure of one of these employees, the function will now be better served with a single, part-time employee with benefits.

- Building Maintenance Supervisor - ($58,062)
  With the construction of the library nearing completion, a Building Maintenance Supervisor will be hired in January 2009 so that he/she can become familiar with the library systems prior to opening day. The cost of this position will be carried by the Redevelopment Agency until the library opens. At that time, the position will be moved to the Library Operations program and funded by the same sources that pay for other library operations.

HIGHLIGHTS OF GENERAL FUND CHANGES

The budget incorporates several changes and new projects, the costs of which are largely offset by savings from the 2007-08 fiscal year.

New Projects Summary ($195K)

Item	Cost	Department	Program
Police Efficiency Study	$50K	Police Services	11-210-861
Housing Element Update	$50K	Planning	11-410-861
Planning Impact Fee Study	$20K	Planning	11-410-861
Community Events Sign Board	$25K	Com. Ctr. Maint.	11-350-906
Community Center Boiler Upgrade	$25K	Com. Ctr. Maint.	11-350-906
Pre-Election Information Efforts	$25K	Rent & Expenses	11-550-861

Other notable changes include:

City Council

The City Council budget decreased by $250K due to the following factors:

- Last June's special election cost $87K. The upcoming November election will likely cost only $25K due to the fact that the cost will be shared by the County and other jurisdictions. The net savings is $62K.

- The Acalanes Tennis Court Lights project was completed last year and will thus not be included in the 2008-09 budget resulting in a year-over-year decrease in costs of $75K.

- The cost for additional library hours ($114K) has been moved to a new enterprise program called Library Operations (37-760) in anticipation of the library opening next Spring. The General Fund will transfer $114K to this program in 2008-09. This change does not represent any additional cost to the General Fund.

Police Services

The City's net cost for police services will increase by $543K as follows:

- The cost for the police contract with the Contra Costa County Sheriff is estimated to increase by $330K, or approximately 10%. Some of this increase is driven by increases in pension liabilities that are being passed onto contract cities by the County. In addition, the police have not completed their salary negotiations this year and we have added a conservative buffer to cover this.

- The General Fund will transfer $393K to the Supplemental Law Enforcement to cover the incremental cost for two officers that have historically been partially funded by a COPS grant. Given the state's budget crisis, it is anticipated that the City will not receive those funds this year.

- The cost for rental expenses increased by $70K due to a correction of misallocated office rental expenses.

Community Center Maintenance

The costs for Community Center Maintenance will increase by $145K as follows:

- The Community Center roof is over 25 years old and needs to be replaced. An expense of $115K has been budgeted for this purpose and the money will be released from the sinking fund to cover it.

- $25K has been budgeted to upgrade the boiler at the Community Center.

- $25K has been budgeted to construct a Community Events sign board at the Community Center so that the promotional signs for recreation events can be in compliance with the City's new sign ordinance.

HIGHLIGHTS OF CAPITAL IMPROVEMENT PROGRAM CHANGES

Capital Improvement Projects (Fund 14)

Engineering will again concentrate entirely on Road & Drain improvements for the 2008 construction year with projects totaling $4.48 million. The primary sources of funds include: $400K from gas taxes; $247K from the Lamorinda Regional Transportation Mitigation Fee, $275K from Measure C, and $38K from EBMUD. The General Fund will contribute a total of $2.7 million which includes $753K in money remaining in the PMP sinking fund – allocated from previous years' surplus -- and an additional $1 million from the surplus over target in the FY07-08 budget.

Parks Facilities (Fund 12)

Parks, Trails and Recreation will undertake several projects totaling $746K including replacement of the Community Park playground equipment, weatherizing the North End Trail, the Murray Lane Trail project, as well as several other smaller projects. The funding will come primarily from Park Dedication Fees ($609K) as well as a release from the Playground Equipment Sinking Fund ($101K).

HIGHLIGHTS OF CHANGES IN ENTERPRISE FUNDS

Parking & Code Enforcement (Fund 32)

The new parking meters are now fully installed and the City expects to see increases in revenue. To be conservative, staff is forecasting only modest increases in revenue at this time ($55K) until we have at least one full year's data.

Senior Transportation (Fund 36)

The Senior Transportation Program is now in its third year and this budget includes a third transfer of $25,000 from the General Fund. Last year, the program coordinator solicited funds from Moraga and Orinda, since seniors in those communities are also serviced. However, no funds were contributed by Orinda and only $5K came from Moraga. For 2008-09, the budget presumes a $25K contribution from Moraga because according to the Lafayette Program Manager, the town has indicated its willingness to participate in the program.

Other sources of funds for this program include fares, fundraisers, grants and various sponsorships.

Library Operations (Fund 37)

In anticipation of the library opening next Spring, we have opened a new program budget to track the cost of ongoing library operations. For 2008-09, the only cost will be the $114K necessary for the additional library hours, a cost that has traditionally been paid out of the City Council budget (11-110).

HIGHLIGHTS OF CHANGES IN REDEVELOPMENT FUNDS

Redevelopment (Fund 91)

$500K has been budgeted for the Downtown Strategic Plan project. This includes a re-budget of $200K not spent in 2007-08.

Library (Fund 93)

As is our practice with capital projects, the entire amount of construction is budgeted in one fiscal year. Funds that are not spent will be re-budgeted each year as actual expenses are calculated. We have assumed that revenue from donations, grants and bonds will match expenditures. Please see the Library Building Sources & Uses table included with the Library budget for more details. As mentioned above, a Building Maintenance Supervisor has also been added to this program.

Redevelopment Debt (Fund 95)

Per Council direction, the interest on the debt owed to the General Fund from general RDA projects continues be paid back rather than capitalized as it has been in prior years. The amount for 2008-09 is $138K. The interest owed to the General Fund for "above the cap" projects (e.g. Vets Memorial and Library) continues to be accrued; for 2008-09 the amount is $244K. The total outstanding debt from the RDA to the General Fund is $5 million, which is deducted against cash reserves.

HIGHLIGHTS OF FEE CHANGES

Hourly rates for Planning Services have been increased from $150 to $175. Rates for Planning Services have not been increased since 2006-07.

HIGHLIGHTS OF TRANSFERS AND SINKING FUND CHANGES

Each year, the General Fund transfers money to other funds. Significant ongoing transfers include:

- Capital Improvement Projects - $2.7 million; $1 million annual contribution and $1.7 million from prior year surpluses.

- Core Area Maintenance - $225K to make up for the shortfall between revenues and expenses and also to fund the streetlight replacement sinking fund. So as to deplete remaining fund balances, this amount is $50K less than in prior years.

- Supplemental Law Enforcement - $393K for supplement additional officers that are normally partially funded by the $100K COPS grant. For 2008-09 it is unlikely that the City will receive this grant due to the State's fiscal problems.

- Library Operations - $114K to fund additional library hours. This expense has normally been paid out of the City Council budget. A new program has been set up to track Library Operations costs in anticipation of the library opening next year.

- Insurance - $200K for insurance premiums.

In addition to these ongoing expenses, transfers for 2008-09 include:

- Parks Facilities - $52,000 for project overhead.

- Senior Transportation - $25,000 for programs.

Significant Sinking Fund & Reserve Restriction changes include:

- $101,300 from the Playground Equipment Sinking Fund has been budgeted in Fund 12 for replacement of equipment at the Community Park (carried over from 2007-08).

- Vacation Liability has been increased by $101,428. This sinking fund was not adjusted last fiscal year to take into account increases in salary; therefore, this increase represents two years of adjustments.

- $200K was added to a sinking fund for the Regional Radio System that is being developed for Contra Costa and Alameda Counties. Lafayette's share for this system will be $300K and so an additional $100K will be added to the sinking fund in 2009-10.

- $115K has been transferred from Public Facilities to the Community Center Maintenance fund for a new roof.

- The sinking fund amount for replacement of engineering and planning vehicles has been reduced from $90K to $50K.

- The $72K contribution to traffic calming programs has been suspended this year. The fund has a balance of almost $300K, an amount the Engineering Services Manager indicates is sufficient for both programs that are anticipated in the foreseeable future.

HIGHLIGHTS OF CHANGES IN THE RESERVE STANDARD

This year, due to a variety of factors noted above, the reserve standard target increased by $264K while at the same time, cash available was restricted by an additional $643K. The result is a reserve of $6.1 million which is $131K over the target amount. Therefore, this year's reserve will be equivalent to 51.1% of General Fund expenditures and it thus (barely) consistent with the City Council's reserve policy.

Recommendation

Receive the Proposed FY 2008-09 Municipal Budget and Workplan, take public testimony and approve Resolutions 2008-027 and R2008-02.